

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
Chicopee
Contributory Retirement System
January 1, 1994 - December 31, 1996
PERAC 96: 32-027-05**

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December 30, 1998

The Public Employee Retirement Administration Commission has completed an examination of the Chicopee Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, 1994 to December 31, 1996. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in Note 3 of this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. We commend the board and the staff of the Chicopee Retirement System for the exemplary operation of the system.

In closing, I acknowledge the work of examiners Harry Chadwick and Charles McQuade who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Robert F. Stalnaker
Executive Director

CHICOPEE AUDIT REPORT
EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD ENDING DECEMBER 31, 1996

1. FUNDING OF PENSION LIABILITY

The most recent study by the Public Employee Retirement Administration Commission determined Chicopee Retirement System's unfunded actuarial liability as of January 1, 1997 to be \$50,924,864. The ratio of system assets to the total actuarial liability is 58.5%.

The Chicopee Retirement System accepted the funding provisions of a home rule petition on December 31, 1991.

2. OPERATIONAL ISSUES

Deduction Rates-PERAC auditors conducted a sample of the rates of withholding for retirement deductions and it was found that two members are not having the correct rate of deductions withheld from their pay. A third individual, whose rate of withholding was questionable, is being reviewed for further information in order to determine the correct withholding rate. Members whose rates are incorrect must repay the difference or be refunded the difference between the incorrect rate that was withheld and the correct rate. Additionally, the payroll department must be notified of all rate corrections for any member whose rate of withholding is currently incorrect. The staff of the retirement must review the rates of withholding for all members in order to insure that the correct retirement deduction rates are being withheld.

CHICOPEE AUDIT REPORT
STATEMENT OF LEDGER ASSETS AND LIABILITIES

FOR THE PERIOD BEGINNING JANUARY 1, 1994
AND ENDING DECEMBER 31, 1996

ASSETS	FOR THE YEAR ENDING DECEMBER 31,		
	1994	1995	1996
Cash	\$5,011,030	\$935,733	\$6,864,166
Short Term Investments	\$495,000	\$4,059,000	\$0
Fixed Income Securities (at book value)	\$23,919,443	\$25,548,385	\$27,609,992
Equities (at market value)	\$23,227,235	\$11,994,623	\$12,367,755
Mutual Domestic Equity Funds	\$0	\$18,600,281	\$21,484,003
Mutual Real Estate Funds	\$0	\$0	\$486,763
International Equity Investments	\$0	\$1,500,000	\$1,626,899
Interest Due and Accrued	\$382,758	\$379,846	\$426,341
Principal Adjustment Account	\$0	\$0	\$0
Accounts Receivable	\$903,285	\$706,129	\$656,994
Accounts Payable	(\$1,315)	\$0	(\$10,838)
TOTAL	\$53,937,436	\$63,723,997	\$71,512,075
FUND BALANCES			
Annuity Savings Fund	\$18,238,035	\$19,377,291	\$20,702,613
Annuity Reserve Fund	\$8,237,419	\$8,492,667	\$8,891,125
Military Service Fund	\$4,002	\$4,106	\$4,209
Pension Fund	\$14,015,930	\$17,007,901	\$16,246,851
Expense Fund	\$90,747	\$97,530	\$71,421
Pension Reserve Fund	\$13,351,303	\$18,744,503	\$25,595,856
TOTAL	\$53,937,436	\$63,723,997	\$71,512,075

CHICOPEE AUDIT REPORT
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE PERIOD BEGINNING JANUARY 1, 1994
AND ENDING DECEMBER 31, 1996

		Annuity Savings Fund	Annuity Reserve Fund	Military Service Fund	Pension Fund	Pension Reserve Fund	Expense Fund	Total All Funds
Beginning Balance (1994)		\$17,320,614	\$8,055,027	\$323	\$16,122,130	\$11,245,852	\$88,210	\$52,832,156
	Receipts	\$2,299,386	\$241,020	\$98	\$10,236,682	\$2,105,452	\$167,681	\$15,050,319
	Interfund Transfers	(\$969,074)	\$971,455	\$3,582	(\$5,963)	\$0	\$0	(\$0)
	Disbursements	(\$412,892)	(\$1,030,084)	\$0	(\$12,336,918)	\$0	(\$165,144)	(\$13,945,039)
Ending Balance (1994)		\$18,238,035	\$8,237,419	\$4,002	\$14,015,930	\$13,351,303	\$90,747	\$53,937,436
	Receipts	\$2,431,366	\$248,017	\$104	\$12,157,697	\$5,393,200	\$183,390	\$20,413,775
	Interfund Transfers	(\$964,836)	\$968,693	\$0	(\$3,857)	\$0	\$0	(\$0)
	Disbursements	(\$327,274)	(\$961,462)	\$0	(\$9,161,869)	\$0	(\$176,607)	(\$10,627,213)
Ending Balance (1995)		\$19,377,291	\$8,492,667	\$4,106	\$17,007,901	\$18,744,503	\$97,530	\$63,723,997
	Receipts	\$2,720,430	\$255,896	\$103	\$7,536,420	\$6,851,530	\$197,884	\$17,562,263
	Interfund Transfers	(\$1,148,562)	\$1,148,739	\$0	\$0	(\$177)	\$0	(\$0)
	Disbursements	(\$246,546)	(\$1,006,177)	\$0	(\$8,297,470)	\$0	(\$223,993)	(\$9,774,186)
Ending Balance (1996)		\$20,702,613	\$8,891,125	\$4,209	\$16,246,851	\$25,595,856	\$71,421	\$71,512,075

CHICOPEE AUDIT REPORT
STATEMENT OF INCOME

FOR THE PERIOD BEGINNING JANUARY 1, 1994
AND ENDING DECEMBER 31, 1996

	FOR THE PERIOD ENDING DECEMBER 31,		
	1994	1995	1996
Annuity Savings Fund:			
Members Deductions	\$1,816,255	\$1,951,376	\$2,159,187
Transfers from other Systems	\$51,736	\$1,501	\$52,348
Member Make Up Payments and Redeposits	\$18,455	\$24,114	\$49,023
Investment Income Credited to Member Accounts	\$412,940	\$454,375	\$459,871
Sub Total	\$2,299,386	\$2,431,366	\$2,720,430
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	\$241,020	\$248,017	\$255,896
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	\$12,858	\$14,175	\$20,825
Received from Commonwealth for COLA and Survivor Benefits	\$963,729	\$1,075,095	\$1,090,595
Profit on Sale of Investments	\$460,491	\$1,400,198	\$0
Increase in Market Value of Equities	\$2,300,604	\$2,868,229	\$0
Principal Adjustment Account Amortization Gain	\$0	\$0	\$0
Pension Fund Appropriation	\$6,499,000	\$6,800,000	\$6,425,000
Sub Total	\$10,236,682	\$12,157,697	\$7,536,420
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	\$0	\$0	\$0
Investment Income Credited Military Service Fd	\$98	\$104	\$103
Sub Total	\$98	\$104	\$103
Expense Fund:			
Expense Fund Appropriation	\$167,681	\$183,390	\$197,884
Pension Reserve Fund:			
Federal Grant Reimbursement	\$32,799	\$43,393	\$34,488
Pension Reserve Appropriation	\$0	\$0	\$0
Interest Not Refunded	\$8,184	\$10,090	\$10,607
Excess Investment Income	\$2,064,469	\$5,339,716	\$6,806,436
Sub Total	\$2,105,452	\$5,393,200	\$6,851,530
TOTAL RECEIPTS	\$15,050,319	\$20,413,775	\$17,562,263

CHICOPEE AUDIT REPORT
STATEMENT OF DISBURSEMENTS

FOR THE PERIOD BEGINNING JANUARY 1, 1994
AND ENDING DECEMBER 31, 1996

	FOR THE PERIOD ENDING DECEMBER 31,		
	1994	1995	1996
Annuity Savings Fund:			
Refunds to Members	\$367,259	\$304,930	\$171,751
Transfers to other Systems	\$45,633	\$22,345	\$74,795
Sub Total	\$412,892	\$327,274	\$246,546
Annuity Reserve Fund:			
Annuities Paid	\$885,897	\$930,366	\$994,093
Option B Refunds	\$144,187	\$31,096	\$12,083
Sub Total	\$1,030,084	\$961,462	\$1,006,177
Pension Fund:			
Pensions Paid			
Regular Pension Payments	\$5,142,134	\$5,291,178	\$5,630,426
Survivorship Payments	\$412,441	\$435,376	\$458,075
Ordinary Disability Payments	\$166,054	\$179,230	\$164,592
Accidental Disability Payments	\$1,321,145	\$1,331,149	\$1,477,800
Accidental Death Payments	\$383,476	\$417,155	\$425,741
Section 101 Benefits	\$26,789	\$26,880	\$50,737
3 (8) (c) Reimbursements to Other Systems	\$83,191	\$106,969	\$90,099
COLA's Paid	\$0	\$0	\$0
Chapter 389 Beneficiary Increase Paid	\$0	\$0	\$0
Loss on Sale of Investments	\$526,692	\$918,034	\$0
Decrease in Market Value of Equities	\$4,274,997	\$455,899	\$0
Principal Adj. Account-Amortization	\$0	\$0	\$0
Sub Total	\$12,336,918	\$9,161,869	\$8,297,470
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	\$0	\$0	\$0
Expense Fund:			
Salaries	\$102,792	\$109,661	\$130,302
Legal Expenses	\$1,350	\$810	\$0
Medical Expenses	\$0	\$0	\$0
Travel Expenses	\$4,224	\$2,572	\$6,301
Administrative Expenses	\$15,675	\$24,096	\$38,536
Furniture and Equipment	\$4,555	\$1,477	\$13,820
Management Fees (not charged to investment income)	\$0	\$0	\$0
Consultant Fees	\$0	\$6,000	\$0
Custodial Fees	\$36,548	\$31,990	\$35,033
Sub Total	\$165,144	\$176,607	\$223,993
TOTAL DISBURSEMENTS	\$13,945,039	\$10,627,213	\$9,774,186

CHICOPEE AUDIT REPORT

INVESTMENT INCOME

**FOR THE PERIOD BEGINNING JANUARY 1, 1994
AND ENDING DECEMBER 31, 1996**

	FOR THE PERIOD ENDING DECEMBER 31,		
	1994	1995	1996
Investment Income Received From:			
Cash	\$75,823	\$138,289	\$99,895
PRIT Cash Fund	\$0	\$0	\$0
Short Term Investments	\$54,686	\$109,457	\$115,117
Fixed Income	\$1,428,279	\$1,872,406	\$2,195,911
Equities	\$1,355,037	\$315,969	\$304,362
Mutual or Commingled Funds	\$0	\$4,289,313	\$3,603,552
International Equity Investments	\$0	\$0	\$141,330
Commission Recapture	\$0	\$2,863	\$1,689
TOTAL INVESTMENT INCOME	\$2,913,825	\$6,728,298	\$6,461,857
Plus:			
Increase in Amortization of Fixed Income Securities	\$61,616	\$23,188	\$25,288
Profit on Sale of Investments	\$0	\$0	\$1,340,847
Increase in Market Value of Equities	\$0	\$0	\$1,666,108
Increase Due and Accrued on Fixed Income Securities - Current Year	\$382,758	\$379,846	\$426,341
Sub Total	\$444,373	\$403,035	\$3,458,583
Less:			
Decrease in Amortization of Fixed Income Securities	(\$64,218)	(\$255,972)	(\$91,806)
Paid Accrued Interest on Fixed Income Securities	(\$70,089)	(\$216,108)	(\$418,641)
Loss on Sale of Investments	\$0	\$0	(\$972,845)
Decrease in Market Value of Equities	\$0	\$0	(\$249,865)
Management Fees Paid	(\$213,067)	(\$234,282)	(\$285,132)
Interest Due and Accrued on Fixed Income Securities - Prior Year	(\$292,298)	(\$382,758)	(\$379,846)
Sub Total	(\$639,672)	(\$1,089,120)	(\$2,398,135)
NET INVESTMENT INCOME	\$2,718,527	\$6,042,212	\$7,522,305
Income Required:			
Annuity Savings Fund	\$412,940	\$454,375	\$459,871
Annuity Reserve Fund	\$241,020	\$248,017	\$255,896
Military Service Fund	\$98	\$104	\$103
TOTAL INCOME REQUIRED	\$654,058	\$702,496	\$715,870
Net Investment Income	\$2,718,527	\$6,042,212	\$7,522,305
Less: Total Income Required	\$654,058	\$702,496	\$715,870
EXCESS INCOME TO THE PENSION RESERVE FUND	\$2,064,469	\$5,339,716	\$6,806,436

CHICOPEE AUDIT REPORT
STATEMENT OF ALLOCATION OF INVESTMENTS OWNED
(percentages by category)

FOR THE YEAR ENDING DECEMBER 31, 1996

	AMOUNT OWNED IN DOLLARS	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Fixed Income	\$27,609,992	39.20%	40 - 80
Equities	\$33,851,758	48.06%	60*
International Equities	\$1,626,899	2.31%	5
Real Estate	\$486,763	0.69%	5
Cash	\$6,864,166	9.74%	40
GRAND TOTALS	\$70,439,577	100.00%	

*Including 5% International Equities

For the year ending December 31, 1996, the investments of the Chicopee Retirement System returned 11.17%. For the five-year period ending December 31, 1996, the investments of the Chicopee Retirement System earned an average 10.63% per year. For the twelve-year period ending December 31, 1996, since PERAC began evaluating the returns of the retirement systems, the investments of the Chicopee Retirement System earned an average 10.91% per year.

The Chicopee Retirement System has submitted the following supplementary investment regulations which were approved by PERAC on:

March 30, 1989

20.04 (6) Equities of foreign corporations, including American Depositary Receipts, listed on the New York Stock Exchange provided that all such investments are denominated in U.S. currency, and that the total of all such investments shall not exceed 10% of the total book value of equity investments.

20.06 (2) Bonds shall have a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services.

20.06 (4) Fixed income holdings which are downgraded by one or more recognized rating services to below a Baa or equivalent rating must be sold within a reasonable period of time not to exceed one year, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent.

CHICOPEE AUDIT REPORT

01/01/1994 – 12/31/1996

20.06 (8) Sales of fixed income investments with maturities exceeding one year shall not exceed 150% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations.

20.07 (6) Sales of equity investments shall not exceed 100% of the average market value of all equity holdings in any twelve-month period.

January 30, 1990

20.04 (6) Equities of foreign corporations, including American Depositary Receipts listed on a United States stock exchange or traded over the counter in the United States, provided that all such investments are denominated in U.S. currency, and that the total of all such investments shall not exceed 10% of the total book value of equity investments.

November 27, 1991

20.07 (9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:

- (a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
- (b) such personnel retain authority in the decision making process, and
- (c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

December 14, 1995

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.

March 21, 1996

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds which shall be limited to 10% of the total fixed income portfolio valued at market.

CHICOPEE AUDIT REPORT
01/01/1994 – 12/31/1996
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all Chicopee Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Teachers' Retirement Board.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80 - 85% pension and 15 - 20% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted since 1981 and any increase in other benefits imposed by state law after that year are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as determined by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In

CHICOPEE AUDIT REPORT
01/01/1994 – 12/31/1996
NOTES TO FINANCIAL STATEMENTS (Continued)

1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually reduced such liability.

Administrative expenses are appropriated from the governmental entities whose employees are members of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

CHICOPEE AUDIT REPORT
01/01/1994 – 12/31/1996
NOTES TO FINANCIAL STATEMENTS (Continued)

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts appropriated by the governmental units for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited all income derived from interest and dividends of invested funds. At the end of the year the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

The Investments of the system are valued as follows:

Bonds are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity.

Equities are reflected at their quoted market value.

Investments as of December 31, 1996 are summarized as follows:

	BOOK VALUE	MARKET VALUE
Fixed Income	\$27,609,992	\$27,880,170
Equities	\$33,851,758	\$33,851,758
International Equies	\$1,626,899	\$1,626,899
Real Estate	\$486,763	\$486,763
Cash	\$6,864,166	\$6,864,166
TOTALS	\$70,439,578	\$70,709,756

CHICOPEE AUDIT REPORT
01/01/1994 – 12/31/1996
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY REGULATIONS

The Chicopee Retirement System has no supplementary membership regulations on file with PERAC.

CHICOPEE AUDIT REPORT

NOTES TO FINANCIAL STATEMENTS (Continued)

The System is administered by a five person Board of Retirement consisting of the City Auditor who shall be a member ex officio, two members who shall be elected by the members in or retired from the service of such system, one member appointed by the governing authority, and one member appointed by the other four board members.

Term Expires: November 5, 1999

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

Treasurer - Custodian:)	
Ex officio Member:)	\$1,000,000
Elected Member:)	Traveler's Property &
Appointed Member:)	Casualty Co.
Staff Employee:)	

CHICOPEE AUDIT REPORT
01/01/1994 – 12/31/1996
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 1997.

The actuarial liability for active members was	\$56,190,621
The actuarial liability for vested terminated members was	\$188,664
The actuarial liability for non-vested terminated members was	\$204,782
The actuarial liability for retired members was	\$66,123,050
The total actuarial liability was	<u>\$122,707,117</u>
System assets as of that date were	<u>\$71,782,253</u>
The unfunded actuarial liability was	<u><u>\$50,924,864</u></u>

The ratio of system's assets to total actuarial liability was	58.5%
As of that date the total covered employee payroll was	\$29,816,652

The normal cost for employees on that date was	7.76% of payroll
The normal cost for the employer was	5.55% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.0% per annum
Rate of Salary Increase:	5.5% per annum

CHICOPEE AUDIT REPORT
01/01/1994 – 12/31/1996
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS (Continued)

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION
AS OF JANUARY 1, 1997

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/97	\$ 71,782,253	\$ 122,707,117	\$50,924,864	58.5%	\$29,816,652	170.79%
1/1/95	\$ 53,937,436	\$ 109,153,915	\$55,216,479	49.4%	\$25,144,974	219.59%
1/1/94	\$ 52,832,156	\$ 104,952,778	\$52,120,622	50.3%	\$24,064,145	216.59%
1/1/92	\$ 42,220,100	\$ 98,744,891	\$56,524,791	42.8%	\$23,495,603	240.58%

CHICOPEE AUDIT REPORT
01/01/1994 – 12/31/1996
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Superannuation	12	24	24	22	39	29	28	30	25	27
Ordinary Disability	2	1	1	1	2	0	0	1	0	0
Accidental Disability	2	3	4	3	2	2	2	4	2	2
Total Retirements	16	28	29	26	43	31	30	35	27	29
Total Retirees, Beneficiaries and Survivors	735	746	759	764	788	803	797	806	814	820
Total Active Members	905	975	1,008	1,059	1,055	1,053	1,046	1,111	1,123	1,175
Pension Payments										
Superannuation	3,383,781	3,667,460	3,930,382	4,075,226	4,451,270	4,859,224	4,949,525	5,142,134	5,291,178	5,630,426
Ordinary Disability	102,475	105,715	131,529	120,338	176,374	159,935	159,936	166,054	179,230	164,592
Accidental Disability	927,073	983,105	1,059,217	1,113,412	1,182,478	1,188,630	1,201,171	1,321,145	1,331,149	1,477,800
Survivor/Beneficiary Payments	372,349	369,489	376,204	362,293	394,830	429,324	422,599	412,441	435,376	458,075
Other	253,557	277,230	344,195	402,169	377,234	423,905	433,445	493,456	551,004	566,577
Total Payments for Year	5,039,235	5,402,999	5,841,527	6,073,438	6,582,186	7,061,018	7,166,676	7,535,230	7,787,937	8,297,470